

Questions and Answers
Regarding
Expenses for Professional Credentials
(Updated 6-04)

These questions and answers will assist DOE Elements in preparing internal policy and procedures related to payment of expenses for professional credentials. The Element's policy should be written, and all collective bargaining obligations discharged, prior to implementation. Element resource management staffs should respond to questions on coverage and servicing finance office staffs should respond to questions about the payment process.

1. What credentials are covered?

Credentials covered include professional accreditations, licenses, or certifications that are either directly related to employees' positions (e.g., in employees' individual development plans) or that are considered to further DOE interests (e.g., credentials that are desired for the development of knowledge, skills, and abilities in response to mission/function changes or that contribute to recruitment, retention, career development, or worker transition objectives.)

2. What does "professional" mean?

Neither the statute nor the legislative history responds directly to this question. Accordingly, this term can be interpreted broadly to apply to any occupation that has a normal career pattern associated with it. Thus, it could mean a one-grade interval administrative series, such as a program support position; an "administrative professional" 2-grade interval series; or a series that has an educational or equivalent licensing requirement associated with it.

3. What expenses are covered?

5 U.S.C. §5757 (Public Law 107-107, §1112) states that "(a)n agency may use appropriated funds or funds otherwise available to the agency to pay for-

- (1) expenses for employees to obtain professional credentials, including expenses for professional accreditation, state-imposed and professional licenses, and professional certification; and
- (2) examinations to obtain such credentials."

The following expenses associated with obtaining a professional credential may be covered:

- a. fee(s) for the initial professional credential; per the IRS, renewal fees are not covered;
- b. fee(s) to take an examination or series of examinations;
- c. in limited instances, travel expenses (see Q & A 7 and 8); and
- d. in limited instances, membership fees (see Q&A 9).

4. What latitude does an organization have in determining what expenses will be paid?

This authority is not an employee entitlement. A Departmental Element can decide which expense(s), if any, should be paid. Its decision should be based on the following factors: the organization's mission and budget; equity among employees; the value of a credential to the organization or, in the case of a worker transition situation, to DOE or the Government; an employee's need for self-development; and the administrative burden on finance staffs, e.g., the burden associated with identifying and reporting expenses that are subject to employment and income taxes. To ensure the perception of equitable application of this authority, organizations should establish policies and practices that will ensure consistency prior to exercising this authority.

5. Is there a limit on the amount of expenses that can be paid per employee?

No; however, organizations may want to set an annual limit for budgetary purposes and/or to ensure consistency among employees.

6. What examinations are covered?

Any examination or series of examinations that result(s) in obtaining a professional credential are covered.

7. Does this authority cover travel expenses associated with obtaining a credential or license?

Any travel expense associated with taking an examination under this authority may be covered as an official travel expense in accordance with the Federal Travel Regulations.

8. What is the distinction between expenses covered by this authority and authorized training expenses?

Any course that is a prerequisite for a credential may be covered as a training expense. Any travel expense associated with taking an examination may be covered as a training expense when there is an associated course involved; otherwise, the travel expense is covered under this authority. When an employee is required to pass an examination to be accredited for completion of a course, the examination fee is an allowable training expense; otherwise, the examination fee is covered only by this authority.

9. When may membership fees be paid?

5 U.S.C. §5946 states: "Except as authorized by a specific appropriation, by express terms in a general appropriation, or by sections 4109 ... of this title, appropriated funds may not be used for payment of -

(1) membership fees or dues of an employee ... in a society or association;"....

Although the language in 5 U.S.C. §5757 does not specifically authorize payment for membership fees, the authority to include payment of membership fees may be assumed when membership is a prerequisite to obtaining a credential. As a practical matter, most associations do not require membership as a condition for taking an examination.

(The interpretation in the previous paragraph is consistent with the training statute; subsection 5 U.S.C. §4109(b) states that “(t)he expenses of training do not include membership fees except to the extent that the fee is a necessary cost directly related to the training itself or that payment of the fee is a condition precedent to undergoing the training.” A membership fee may be covered as a training cost when the fee is “required as a condition of enrolling or participating in the training” and “the total cost of the training and the membership fee is equal to or less than the non-member training cost” (DOE M 360.1-1B, paragraph 8k(4), page I-9); i.e., when membership in an organization or association results in reduced training costs so the additional cost of the membership fee does not result in a higher total cost than would otherwise be incurred as a non-member.)

10. How are the expenses paid?

Payments should be made on a reimbursable basis by local finance offices based on documentation that itemizes the expenses and includes an approval by an appropriate management official. Local finance offices should determine the payment process, e.g., required use of Standard Form 1034, Public Voucher, or level of management approval, etc. Reimbursement procedures should be part of the written policy developed and issued by the Departmental Element.

11. Should service agreements be used for employees benefiting from this authority?

A service agreement may be used at the discretion of the Departmental Element. The terms of a service agreement may be based on any one of the following methods or combination of them. (Language in service agreements for repayment of student loans may be helpful in preparing a local service agreement; also, see Q & A 12 regarding recovery of reimbursements.)

- a. the period of time covered by the license or credential, e.g., if a license is renewed annually, then the service period may be for the one-year period covered by the license;
- b. a period of time less than the period of time covered by the license or credential; e.g., if a license is renewed every 3 years, then the service period may be for one year;
- c. the cost for an employee to obtain and maintain appropriate credentials, e.g., up to \$500 per year – one year of service, \$501 - \$1,000 per year – 2 years of service, etc.

12. Should the expenses be recovered when an employee who has been reimbursed for such expenses leaves the Departmental Element?

Again, the legislation does not answer this question. Accordingly, elements may incorporate reimbursement into any service agreement and/or other written transmittal to the credential recipient. If a service agreement is used, then the agreement can stipulate that such expenses may be recovered in whole or on a pro-rated basis similar to other recruitment and retention incentives if the employee leaves the Department. If the employee stays in the Department or the reimbursement provision is not described in a document, no action should be taken to recover the costs since the benefits to the Department remain.

13. Are expenses paid under this authority taxable to the employee?

Internal Revenue Service Publication 529 states that an employee cannot deduct professional “accreditation fees” such as the following as a miscellaneous expense:

- a. accounting certificate fees paid for the initial right to practice accounting;
- b. bar exam fees and incidental expenses in securing admission to the bar; and
- c. medical and dental license fees paid to obtain initial licensing.

Thus, any fee(s) for obtaining an *initial* professional credential is(are) *taxable* if reimbursed. However, once a professional credential is initially obtained, *renewals*, which will not be reimbursed, may be deductible as a miscellaneous expense on the employee’s Schedule A, Form 1040 if appropriate.

Servicing finance offices should not withhold taxes from the reimbursements. Any expenses that are taxable to the employee are to be reported to Payroll on the quarterly report of taxable fringe benefits for inclusion on employee W-2 forms. Payroll will then withhold the applicable taxes from the employee’s next salary payment.